

ALUMINUM COMPANY OF CANADA, LTD
and Subsidiary Companies



1971

Financial Statements



On pourra se procurer le texte français de ce rapport en s'adressant
au secrétariat de la Compagnie, case postale 6090, Montréal 101, Canada.

ALUMINUM COMPANY OF CANADA, LTD

and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

year ending 31 December 1971

	in thousands of United States dollars	
	1971	1970*
REVENUES		
Sales	\$862,223	\$857,268
Operating revenues	56,168	55,587
Other income	6,943	6,402
	<u>925,334</u>	<u>919,257</u>
COSTS AND EXPENSES		
Cost of sales and operating expenses	688,640	648,239
Depreciation and depletion (note 6)	64,920	67,388
Selling, research and administrative expenses	65,663	63,134
Interest on debt not maturing within one year	34,942	33,804
Other interest	3,652	3,537
Other expenses	8,041	2,600
	<u>865,858</u>	<u>818,702</u>
INCOME BEFORE FOLLOWING ITEMS	<u>59,476</u>	<u>100,555</u>
Income taxes		
Current	22,700	43,597
Deferred (note 6)	(42)	1,993
	<u>22,658</u>	<u>45,590</u>
INCOME BEFORE EXTRAORDINARY ITEM	<u>36,818</u>	<u>54,965</u>
Profit from exchange revaluation of Canadian working capital	—	9,395
NET INCOME	<u>\$ 36,818</u>	<u>\$ 64,360</u>

*Certain items reclassified for comparative purposes

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

year ending 31 December 1971

	in thousands of United States dollars	
	1971	1970
SOURCE OF FUNDS		
Net income	\$ 36,818	\$ 64,360
Depreciation and depletion	64,920	67,388
Deferred income taxes	(42)	1,993
Cash generation from operations	<u>101,696</u>	<u>133,741</u>
New debt	67,721	96,656
Repayment of advances to affiliated companies	3,582	6,656
Other	9,224	1,778
	<u>182,223</u>	<u>238,831</u>
APPLICATION OF FUNDS		
Plant, equipment and investments	35,698	68,223
Debt repayments	97,080	42,404
Advances to affiliates and parent	2,521	2,092
Redemption of preferred shares (par value)	4,094	1,779
Preferred dividends	2,025	2,085
Common dividends	34,000	61,000
Other	9,931*	—
	<u>185,349</u>	<u>177,583</u>
Change in working capital	<u>(3,126)</u>	<u>61,248</u>
Working capital — beginning of year	<u>303,912</u>	<u>242,664</u>
Working capital — end of year	<u>\$300,786</u>	<u>\$303,912</u>

*Represents a net decrease in working capital resulting from the deconsolidation of a subsidiary company through nationalization. This event also decreased net Plant and equipment by \$47.0 million, Deferred income taxes by \$6.8 million, working capital by \$9.9 million and other accounts by \$3.7 million and increased Deferred receivables by \$53.8 million.

ALUMINUM COMPANY OF CANADA, LTD

and Subsidiary Companies

CONSOLIDATED BALANCE SHEET — ASSETS

31 December 1971

	in thousands of United States dollars	
	1971	1970
Current assets		
Cash	\$ 21,902	\$ 34,708
Time deposits	30,067	28,587
Receivables	126,248	124,199
Receivable from affiliated companies	62,575	49,336
Aluminum (note 3)	122,961	110,115
Raw materials and other supplies (note 3)	134,789	143,282
	<u>498,542</u>	<u>490,227</u>
Deferred receivables (note 4)	57,364	8,789
Deferred charges	5,145	7,025
Advances to affiliated companies	4,203	5,264
Advance to parent company	6,217	6,217
Investments in companies not more than 50% owned, at cost	5,741	4,821
Property, plant and equipment (note 5)	1,713,835	1,810,751
Less: Accumulated depreciation and depletion (note 6)	<u>943,645</u>	<u>957,608</u>
	<u>770,190</u>	<u>853,143</u>
	<u><u>\$1,347,402</u></u>	<u><u>\$1,375,486</u></u>

ALUMINUM COMPANY OF CANADA, LTD

and Subsidiary Companies

CONSOLIDATED BALANCE SHEET — LIABILITIES

31 December 1971

	in thousands of United States dollars	
	1971	1970
Current liabilities		
Payables	\$ 92,294	\$ 94,931
Short-term borrowings	56,902	11,557
Payable to parent company	8,815	15,000
Payable to affiliated companies	9,218	4,914
Income and other taxes	13,161	22,950
Debt maturing within one year (note 7)	17,366	36,963
	197,756	186,315
Debt not maturing within one year (note 7)	537,215	566,574
Deferred income taxes (note 6)	131,562	138,427
Capital stock and retained earnings		
Cumulative redeemable sinking fund preferred shares (note 8)		
4% First preferred — par Can. \$25		
Authorized — 600,000 shares		
Outstanding — 249,487 shares (1970 — 259,313)	5,670	5,893
4½% Second preferred — par Can. \$50		
Authorized — 1,200,000 shares		
Outstanding — 766,513 shares (1970 — 842,763)	38,909	42,780
Common shares — without nominal or par value		
Authorized — 10,000,000 shares		
Outstanding — 9,000,000 shares	189,172	189,172
Retained earnings (note 9)	247,118	246,325
	480,869	484,170
	\$1,347,402	\$1,375,486

Approved by the Board: PAUL H. LEMAN, Director

JOHN H. HALE, Director

ALUMINUM COMPANY OF CANADA, LTD

and Subsidiary Companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS—year ending 31 December 1971

	in thousands of United States dollars	
	1971	1970
RETAINED EARNINGS — beginning of year	\$ 246,325	\$245,050
Net income	36,818	64,360
	<u>283,143</u>	<u>309,410</u>
Dividends		
4 % First preferred	251	253
4½ % Second preferred	1,774	1,832
Common	34,000	61,000
	<u>36,025</u>	<u>63,085</u>
RETAINED EARNINGS — end of year (note 9)	<u>\$247,118</u>	<u>\$246,325</u>

NOTES TO FINANCIAL STATEMENTS — in thousands of United States dollars

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all its subsidiaries. Inter-company items and transactions, including profits in inventories, are eliminated.

2. TRANSLATION OF ACCOUNTS INTO UNITED STATES DOLLARS

Accounts, other than United States dollar accounts, included in the consolidated balance sheet are translated at rates of exchange current at year-end except that (a) inventories, investments, fixed assets and accumulated depreciation and depletion are at rates current at dates of acquisition, (b) debts not maturing within one year are at rates current at dates of issue and (c) deferred income taxes are at rates current at dates of origin. Accounts included in the consolidated statement of income, except depreciation and depletion, are translated at average rates of exchange prevailing during the year.

3. ALUMINUM, RAW MATERIALS AND OTHER SUPPLIES

Aluminum, raw materials and other supplies are stated at cost (determined for the most part on the monthly average method) or net realizable value, whichever is the lower.

4. DEFERRED RECEIVABLES

In July 1971, the Company's bauxite and alumina assets in Guyana were nationalized and the Government of Guyana agreed to pay the Company over a 20-year period, commencing 31 December 1972, a sum of U.S. \$53.8 million, plus interest from 1 January 1972 at 6% per annum. This amount is slightly in excess of the net book value of the assets nationalized, which value has been included in Deferred receivables.

NOTES TO FINANCIAL STATEMENTS — in thousands of United States dollars

5. PROPERTY, PLANT AND EQUIPMENT, at cost	1971	1970
Land, and water rights	\$ 49,533	\$ 50,173
Mineral properties, rights and development	13,424	14,311
Raw material, power and other facilities	846,615	969,215
Smelting facilities	501,163	485,021
Fabricating facilities	303,100	292,031
	<u>\$1,713,835</u>	<u>\$1,810,751*</u>

*Includes \$118 million of assets in Guyana nationalized in 1971 (note 4)

Capital projects are expected to involve the expenditure of some \$50 million in 1972.

6. DEPRECIATION POLICY AND DEFERRED INCOME TAXES

Depreciation, as recorded in the accounts, is calculated on the straight-line method using rates based on the estimated useful lives of the respective assets. Depletion, not significant in amount, is calculated on the unit of production basis.

Income tax regulations in Canada, and in certain other countries, permit the use (for the purpose of determining income taxes) of various forms of capital cost allowances which do not coincide with the amount of depreciation recorded in the accounts. These allowances generally exceed straight-line depreciation during the early life of new assets and later fall short of it.

When capital cost allowances utilized for determining income taxes exceed straight-line depreciation, an amount equivalent to the resultant reduction in current income taxes is charged to income and credited to Deferred Income Taxes. When the allowances so utilized fall short of straight-line depreciation, resulting in higher current income taxes than would otherwise be payable, an appropriate portion of the amount previously deferred is transferred back to income.

7. DEBT NOT MATURING WITHIN ONE YEAR	1971	1970
Aluminum Company of Canada, Ltd		
*Bank loans under \$160 million revolving credit agreement, due 1975/1979	\$100,000	\$160,000
9½ % Sinking fund debentures, due 1995	100,000	91,685
9¾ % Sinking fund debentures, due 1991 (Can. \$60 million)	59,406	—
4½ % Sinking fund debentures, due 1980	40,842	60,540
4½ % Sinking fund debentures, due 1973 (Can. \$19 million)	19,260	19,557
5.10 % Notes, due 1972/1992	92,000	94,000
3½ % Note, due 1974 (Can. \$40 million)	37,999	37,999
Other debt	10,527	31,260
Alcan Aluminum Corporation		
4¾ % Notes, due 1972/1984	37,600	38,799
Non-interest bearing notes, due 1972/1975	11,354	14,193
Other debt	6,146	7,114
Alcan (Bermuda) Limited		
7½ % Notes, due 1972/1978 (Lire 12 billion)	18,775	19,174
Other companies		
Bank loans	11,389	11,592
Debt	8,863	15,955
	<u>554,161</u>	<u>601,868</u>
Less: Debt maturing within one year included in current liabilities (equivalent to \$17.4 million at year-end rates of exchange)	16,946	35,294
	<u>\$537,215</u>	<u>\$566,574</u>

*Interest is payable at the lender's prime commercial rate, which was 5¼ % at 31 December 1971.

ALUMINUM COMPANY OF CANADA, LTD

and Subsidiary Companies

NOTES TO FINANCIAL STATEMENTS — in thousands of United States dollars

7. DEBT NOT MATURING WITHIN ONE YEAR (Continued)

After allowing for prepayments, sinking fund and other requirements over the next five years amount to approximately \$16.9 million in 1972, \$32.4 in 1973, \$49.4 in 1974, \$53.7 in 1975 and \$40.4 in 1976.

In January 1972, the Company issued Can. \$40 million of 7½% serial debentures, due 1976/1979.

8. PREFERRED SHARES

At the option of the Board of Directors, preferred shares may be redeemed in whole or in part, at the following prices:

4% First preferred shares — on twenty days' notice at Can. \$26.375 per share.

4½% Second preferred shares — on thirty days' notice (a) for other than sinking fund purposes at Can. \$52.25 per share to 30 November 1973, at Can. \$52.00 per share to 30 November 1976, and thereafter at Can. \$51.75 per share, and (b) for sinking fund purposes, at Can. \$51.50 per share.

Maximum annual sinking fund requirements for the retirement of the First and Second preferred shares amount to the equivalent of Can. \$2.7 million per annum. The 1972 requirements have been met.

9. DIVIDEND RESTRICTIONS

Pursuant to the provisions of certain debt issues \$151 million of retained earnings at 31 December 1971 is not distributable as dividends either in cash or in kind on the common shares of the Company.

10. COMMITMENTS

The Company has entered into purchase agreements, tolling arrangements and long term leases, including commitments for the charter hire of ships amounting to \$8.8 million in 1972 (\$9.5 million paid in 1971), \$6.5 million in 1973, \$3.2 in 1974 and lesser annual amounts up to 1981.

See also reference to capital expenditures in note 5 and debt repayments in note 7.

11. PENSION PLANS

The Company and its subsidiaries have established pension plans in the countries where they operate, for the greater part contributory and generally open to all employees. With respect to these plans, the Company and its subsidiaries incurred a pension expense of \$8.8 million in 1971 (\$5.9 in 1970). Assets in the pension funds are virtually in balance with the liabilities for pension benefits accrued to 31 December 1971.

12. REMUNERATION OF DIRECTORS AND OFFICERS

The Company has 12 directors who receive no remuneration as such. There are 10 officers, including the President and those reporting directly to him, four of whom are directors of the Company. The aggregate remuneration received by these officers and by past officers amounted to \$560,905 in 1971 (\$604,007 in 1970).

AUDITORS' REPORT

Price Waterhouse & Co.

chartered accountants

5 Place Ville Marie Montreal 113 Que.

8 February 1972

To the Shareholders of Aluminum Company of Canada, Ltd

We have examined the consolidated balance sheets of Aluminum Company of Canada, Ltd and subsidiary companies as at 31 December 1971 and 1970 and the related consolidated statements of income, retained earnings, and source and application of funds for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the consolidated financial position of the companies as at 31 December 1971 and 1970 and the results of their operations and the source and application of their funds for the years then ended, in accordance with generally accepted accounting principles applied on a consistent basis.

Price Waterhouse & Co.
Chartered Accountants

ALUMINUM COMPANY OF CANADA, LTD

and Subsidiary Companies

DIRECTORS

J. W. CAMERON — Vice President

N. S. CRERAR — Vice President

DAVID M. CULVER — Executive Vice President, Fabricating and Sales, Alcan Aluminium Limited

HOLBROOK R. DAVIS — Chief Employee Relations Officer, Alcan Aluminium Limited

NATHANAEL V. DAVIS — President, Alcan Aluminium Limited

JOHN H. HALE — Executive Vice President, Finance, Alcan Aluminium Limited

J. F. HORWOOD — Chief Technical Officer, Alcan Aluminium Limited

PAUL LAROQUE — Secretary and Chief Legal Officer, Alcan Aluminium Limited

PAUL H. LEMAN — President

D. D. MACKAY — Executive Vice President, Raw Materials, Alcan Aluminium Limited

R. E. POWELL — Honorary Chairman

WILLIAM J. REID — Vice President

OFFICERS

PAUL H. LEMAN — President

CLAUDE P. BEAUBIEN — Vice President, Public Relations and Advertising

J. W. CAMERON — Vice President, Smelters

N. S. CRERAR — Vice President, Power

D. W. EVANS — Vice President, Chemicals

H. S. LADD — Vice President, Personnel

H. C. CORRIGAN — Vice President, Canadian Fabricating and Sales

F. C. WINSER — Vice President, Export Sales

WILLIAM J. REID — Vice President and Treasurer

T. L. BROCK — Secretary



ALUMINUM COMPANY OF CANADA, LTD
Montreal, Quebec, Canada